

WASHINGTON – To tackle one of the most important issues facing small businesses, our nation’s job creators, Congress gave final passage to Congresswoman Melissa Bean’s Small Business Lending Fund Act (H.R. 5297), sending the bill to President Obama for his signature. The legislation will incentivize increased small business lending by community banks, provides \$12 billion in tax breaks for small businesses, and contains two additional Bean bills which will provide small businesses access to credit on affordable terms. The House approved the 237-187.

Bean helped introduce the measure in the House in May and helped lead debate in favor of the measure when it first passed the House in June.

“This is one of the most important measures we have passed this year, in terms of supporting economic recovery,” Bean said. “During my Small Business Federal Resource Seminars, community business owners have told me that lack of access to affordable credit remains the biggest obstacle to business recovery, expansion and diversification. This legislation will help bridge that gap and is critical and timely to sustaining our economic recovery and creating jobs.”

The bill creates a \$30 billion Small Business Lending Fund to provide community banks with capital to increase small business lending by up to \$300 billion in new loans. The fund is limited to the smallest banks, those holding \$10 billion or less in assets, with key performance-based standards to incentivize those lenders that extend new credit to small businesses (decreasing the dividend rate banks pay as they increase small business lending). Banks must repay all capital investments with interest to the government within ten years, and the non-partisan Congressional Budget Office estimates that the lending fund will profit taxpayers \$1.1 billion, which will be used toward deficit reduction.

The bill also provides \$1.5 billion in funding for new or existing state lending programs, including Illinois, to support \$15 billion in new loans. These programs already exist in around thirty states, use small amounts of public dollars to generate substantial private bank financing, and can use federal dollars to quickly increase small business lending.

The Senate-passed version also contains Bean’s Small Business Asset Investment and Modernization (AIM) Act (H.R. 5412) and provisions from the Dahlkemper-Bean Express Loans Improvements Act (H.R. 4598).

The Small Business AIM Act would expand the SBA’s 504 loan program for capital purchases by raising the maximum 504 loan size from \$1.5 million to \$5 million (\$4 million to \$5.5 million for small manufacturers) and allowing small businesses to refinance existing eligible debt with a 504 loan, rather than just using 504 to finance an expansion.

To be eligible for 504 refinance loans, borrowers must be current on payments and loans can only apply to owner-occupied commercial real estate, buildings, or equipment. The program covers its own costs through user fees and does not rely on taxpayers. The bipartisan Small

Business AIM Act was endorsed by, among others, the U.S. Chamber of Commerce (see attached letter), the American Bankers Association, the Financial Services Roundtable, the Small Business Majority, and the Independent Community Bankers of America.

Bean's Express Loans Improvements Act, introduced jointly with Congresswoman Kathy Dahlkemper (PA-03), would increase utility of the SBA Express Loans, which are an important source of working capital for small businesses. The Express Loans Program gives an established network of lenders greater loan approval responsibility with less bureaucracy and shorter approval times than traditional SBA loans. The portion of this bill passed today by the Senate temporarily raises the maximum Express loan value from \$350,000 to \$1 million. This is similar to a change made to the SBA's 7(a) and 504 loan programs in the Recovery Act.

To protect taxpayers, the bill directs the SBA to strengthen collateral rules and requires annual reporting to Congress on progress towards default rate reduction. The Express Loans Improvement Act has been endorsed by, among others, the U.S. Chamber of Commerce, the Small Business Council of America, the American Bankers Association, the American Small Business League, and the Independent Community Bankers of America.

The final package passed today also has \$12 billion in small business tax breaks, including:

- **Bonus Depreciation:** Extending the successful provision in the Recovery Act that allows businesses to write off half the cost of equipment purchases in 2010, as they were able to do in 2008 and 2009.
- **Capital Gains Exemption:** To encourage investment, small business stock purchased in 2010 will be 100 percent exempt from capital gains tax in future years, an increase from existing 50 percent exemption.
- **Health Insurance Deduction:** For 2010 only, small-business owners will be allowed to deduct the costs of health insurance for themselves and family members from their self-employment taxes. Tax credits for small businesses under 25 employees to purchase health insurance for their employees were already made law as part of health insurance reform.
- **Cell Phone Deduction:** Makes it easier for employers to deduct the cost of employee cell phones as a business expense by reducing burdensome record keeping requirements.

The bill passed today also extends vital changes to SBA loan programs made in the American Recovery and Reinvestment Act, reducing fees for lenders and borrowers on the 7(a) loan program and increasing government guarantees on 7(a) loans from 75 and 85 percent to as high as 90 percent. As a result of these changes, since February 2009, the SBA has supported over \$30 billion in small business lending.

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